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State of Maryland

**The Public-Private
Partnership Plan**



Md. Y 3. Pr 96 :2/H /993
The public-private
partnership plan in

in response to

The Maryland Task Force on Privatization

February 1993

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Executive Summary

The Public-Private Partnership Plan was developed in response to the recommendations of the Maryland Task Force on Privatization.

The Task Force, chaired by Mr. William K. Hellmann, worked with State agencies and developed a plan recommending that:

- Privatization should be a routine process whereby public managers think first of the feasibility of using the private sector as a means to provide government services.

To accomplish this, the task force suggested:

- A Policy on Privatization; and,
- A methodology to Evaluate Privatization Opportunities.

In addition, through discussions with State agencies, fifty-eight varied functions were identified as potential privatization opportunities. Creation of an independent Advisory Council on Privatization was recommended to:

- Provide for the continued review and assessment of activities that could be more effectively performed by the private sector.

The Public-Private Partnership Plan incorporates the majority of the recommendations from the Task Force report.

The Policy on Privatization has been expanded to provide that State agencies be encouraged to compete with the private sector for the performance of certain activities.

The Methodology to Evaluate Privatization Opportunities has been revised to take into account the political and constituent reaction to a proposed privatization initiative.

Of the fifty-eight varied functions identified for privatization, 53 are being pursued and several new privatization opportunities have been added.

The Public-Private Partnership Plan provides public managers the opportunity to re-affirm what good government means, defines what activities should be realigned to allow for more private sector participation, and implements a process to transfer responsibilities to the private sector in a careful and planned manner. The plan includes:

- A formal state-wide policy on privatization to be implemented by Executive Order.

- A methodology to Evaluate Privatization Opportunities to be implemented by the Secretary of the Department of Budget and Fiscal Planning.
- The establishment of an Advisory Council on Privatization to be implemented by Executive Order.
- The following recommended privatization activities to be implemented by legislation:
 - DHMH - closing/privatizing state operated facilities
 - DNR - Maryland Environmental Service
 - DNR - Revolving Acquisition Program
 - MDOT:
 - MdTA/MAA/MPA - Formation of a Consolidated Enterprise Authority¹
- The Public-Private Partnership Plan also includes projected agency plans for continued assessment of the following privatization opportunities:

Maryland Department of the Environment:

- Courier service
- Data entry, project programming, design/analysis
- Arbitrage Rebate calculations
- Dental/veterinary x-ray machine inspection
- Collection of samples, radon testing
- Additional engineering assistance
- Laboratory analysis, data processing
- Technical training/on-site assistance
- Occupational licensing/certification
- Sampling, data entry of manifests
- Testing, training
- Ambient air monitoring
- VEIP Audits

Department of General Services:

- Couriers
- Radio Repair
- Management of State-owned facilities
- Maryland State Agency for surplus property
- Engineering/construction-related activities

¹Legislation potential being assessed.

Department of Health and Mental Hygiene:

- In-Patient Services for children and adolescents
- State-wide maternity care
- State-wide soil percolation program
- Expansion of contract services
- Consolidation/Disposition of under-utilized property
- Data processing services
- State- and County-operated community mental health clinics
- State-operated community-based facilities

Department of Natural Resources:

- Somers Cove Marina Facility
- Northeast Waste Disposal Authority
- Leasing, sale, development of under-utilized property
- Services contracts
- Recreational facilities
- Operations Electrical Generating Plant - ECI

Department of Public Safety and Correctional Services:

- Quality Assurance/Hospital Utilization Review
- CJIS Central Repository (criminal record-checking unit)
- Psychological and Additional Therapy
- Inmate Food Services
- Leasing/sale of under-utilized property
- Correction's education programs for inmates
- Operations of pre-release and minimum security prisons

Department of Transportation, Maryland Aviation Administration:

- Fire Rescue Service (BWI)
- Terminal/Transportation Services (BWI)
- Maintenance (BWI/MTN)
- Marketing
- Formation of a Consolidated Enterprise Authority with the Maryland Transportation Authority and the Maryland Port Administration²
- Designate BWI as a showcase for technical and industrial products

²Legislation potential being assessed.

Department of Transportation, Maryland Port Administration:

- Disposal of Port of Cambridge
- Marketing
- Information Systems
- Disposal/higher utilization of under-utilized properties
- Operation of the World Trade Center
- Formation of a Consolidated Enterprise Authority with the Maryland Transportation Authority and the Maryland Aviation Administration³

Maryland Higher Education Commission:

- Construction Oversight Responsibilities

Department of Economic and Employment Development:

- Data Processing

The Agency responses to the Report on Privatization address the next steps to be taken on the opportunities listed above.

³Legislation potential being assessed.

Policy on Privatization

- The State and its agencies should always consider whether the public or private sector will be more effective in increasing efficiency, improving quality or reducing cost on any particular operation.
 - The system should reward efficiency and managerial accountability, regardless of the number of programs, the size of the budget or the number of personnel.
 - Privatization should be a routine process whereby public managers think first of the feasibility of using the private sector as a means to provide governmental services.
- The State should begin the transition from thinking government operation to thinking who is most efficient by focusing on the privatization opportunities for:
 - Contractual services; e.g., maintenance, advertising and marketing; property management; computer services; food services; design and construction; inspections.
 - Acquisition/construction/operation of facilities; e.g., prisons; hospitals; office buildings.
 - Under-utilized assets; e.g., leasing vacant property; sale of surplus property; joint private-public property development.
- There should be a seven (7) member Advisory Council on Privatization, appointed by the Governor. Council responsibilities should include:
 - review and evaluate unsolicited privatization proposals;
 - provide information on privatization issues and offer procedural and implementation assistance;
 - provide oversight to ensure fair, comprehensive and objective comparisons of privatization alternatives;
 - request reports from State agencies on the status of implementation efforts for privatization;
 - request that State agencies conduct thorough evaluations of specific privatization opportunities; and

- provide an annual report to the Governor on the privatization activities being considered and/or implemented.

Council membership should include:

- a Chairman with experience as a private sector chief executive officer; and,
 - six (6) members with diverse business management experience; at least one of whom has a strong working knowledge of State government.
- The Department of Budget and Fiscal Planning (DBFP), as the agency statutorily charged with the responsibility to assure efficiency and effectiveness, should take a leadership role in the privatization efforts.
 - The DBFP should provide dedicated staff support and technical assistance to the Advisory Council.
 - The DBFP should assure that the existing budget process be the mechanism to ensure the continuous evaluation of privatization.
 - The DBFP should have the permanent responsibility to evaluate privatization alternatives submitted by each agency as part of the budget process.
 - The DBFP should oversee procedures for the comparison of the full cost of public versus private performance of tasks and ownership of facilities; and the adequacy of measures to assure full opportunity for public employees in privatization settings.
 - **The DBFP would review the specifications and the evaluation criteria and oversee the evaluation of the proposals in those cases proposed for privatization where both the public and private sector could compete.**
 - Each agency has a major role in accomplishing efficiency and effectiveness through a timely assessment of privatization opportunities.
 - Each agency should evaluate privatization as an alternative to a continued budget appropriation for those existing functions that can be competitively performed by the private sector.
 - Each agency should evaluate privatization as an alternative to a budget appropriation for all new initiatives that may be competitively performed by the private sector.
 - **Each agency is encouraged to consider competing with the private sector for the performance of certain duties.**

Methodology to Evaluate Privatization Opportunities

There are four main steps in determining whether a function, task, operation or asset (activity) should be transferred in full or in part to the private sector. These steps are:

- I. Analyze the potential for privatization
- II. Examine the cost of the activity to the Government
- III. Plan the necessary procedures
- IV. Implement

These steps should be viewed as guides to assess privatization opportunities. Not all questions, factors or analysis are applicable to every privatization effort. At the conclusion of each step, if the review of the activity continues to lend itself to a privatization effort, it is appropriate to proceed to the next step. If this is not the case, the reason(s) that would prohibit continued privatization evaluation should be delineated, and the process ended.

I. Analyze the Potential for Privatization

The objective of this analysis is to assess whether the specific activity lends itself to privatization. Keep in mind that...

"Business does some things better than government, but government does some things better than business. The public sector is better at policy management, regulations, ensuring equity and preventing discrimination or exploitation. Business is better at innovating, replicating successful experiments, adopting to rapid change, and aborting unsuccessful or obsolete activities."⁴

The activity identified should fall into one of the three privatization categories:

1. Contractual services;
2. Acquisition/construction/operation of facilities;
3. Under-utilized assets.

⁴David Osborne.

The questions and factors below are general in nature and are meant to ascertain whether more specific and serious analysis is warranted. Listed below are factors that need to be considered. In general, the responses to these questions should be "yes" in order to proceed further for more serious evaluation. However, a "no" to one of the questions does not necessarily preclude going forward, but special considerations will most likely need to be made.

1. Is there more than one private vendor capable and interested in providing the activity to ensure competition? Y/N
2. Can the activity be specified in advance with clear objectives and goals? ..
..... Y/N
3. Can the delivery of the activity be measured adequately to monitor performance? Y/N
4. Can the private vendor be easily replaced during the term of the contract?
..... Y/N
5. Is the economical delivery of a service more important than control and/or accountability? Y/N
6. Can the contract provide for the transfer of liability/or risk? Y/N
7. Is the public safety of citizens protected in case of default? Y/N
8. Would the funds/revenues presently available continue to be available if the private sector performs the activity? Y/N
9. Can the private sector implement and deliver the activity quicker? ... Y/N
10. Does government have the ability/resources to manage/control/regulate the contract? Y/N
11. Is the proposed privatization activity consistent with State law, Rules and Regulations? Y/N
12. **Are the elected officials and affected citizens in support of the proposed privatization activities?** Y/N
13. **Have strategies been developed to overcome or minimize short-term problems (employee reaction, service delivery) that could arise during the transfer of the activities?** Y/N

II. Examine the Cost of the Activity to the Government

The objective of this analysis is to determine what it costs government to perform the activity, what it would cost government to monitor the activity, and what future costs government can avoid by transferring the activity to the private sector. This analysis should be done on each of the 3 categories, as a 5-year plan and should include:

- personnel costs (including salaries, unemployment insurance, fringe benefits, etc.)
- operating costs (maintenance, vehicles, equipment, office space)
- capital costs (present and anticipated)
- insurance/liability costs
- allocated administrative costs
- management/supervision costs
- other

III. Plan the Necessary Procedure

The objective of this step is for the agency to evaluate, in detail, the parameters of the proposed privatization effort. This evaluation should address issues such as:

- **Timing**

Are there issues raised from Section I that need to be resolved prior to proceeding? Does the timing of the privatization effort affect potential cost savings? How long will it take to achieve the desired result?

- **Personnel**

What is the transition plan if the privatization will impact on State employees? Will current State employees have an opportunity to bid? Will the private vendor be required to absorb existing State employees? Can internal re-organization and different management techniques accomplish the same or similar goal?

- **Cost**

Is there a savings goal, short-and long-term, without which privatization will not be considered?

- **Agency Impact**

Does the privatization of this activity affect other programs and responsibilities (for other State Agencies, Departments)? Are there alternative public solutions?

- **Other**

What is the best way to structure the deal (lease, contract, sale, partnership, pilot program)? What process will be put in place to take over activity in case the privatization fails?

IV. Implementation

- Prepare Request for Proposal (RFP) and/or Prepare Proposal Specifications
- Conduct Procurement
- Review RFP Response
- Compare Costs of Private Alternative Versus Public
- Establish Oversight Procedure
- Transfer Activity

Maryland Department of the Environment Response to the Maryland Task Force on Privatization Report (pages 18-22)

I. Overview

The Maryland Department of the Environment (MDE) commends the Maryland Task Force on Privatization for their excellent report. The information presented in this section accurately reflects the tasks and responsibilities of MDE. MDE has already privatized many of the non-regulatory functions necessary to carry out our mission. However, MDE did make an error in the information it provided to the Task Force related to its capital budget. 100% (not 25%) of the capital budget, or \$190 million, is passed on directly to the private sector, or to local governments who then pass the funds on to private concerns. MDE currently privatizes \$200.7 million, or 83% of its combined operating and capital budgets of \$242.3 million.

II. Existing Privatization

This section of the report accurately reflects some of the detail of the our operating budget that is currently privatized. MDE has privatized \$10.3 million or 20% of its operating budget. While MDE has identified other areas that are potential candidates for privatization in Section III of the report, this section shows that we already privatize a significant portion of the services that we provide.

III. Potential For Privatization

A. Finance and Administration

1. Courier Services: MDE is reviewing its courier service, presently performed by 1/3 of one position. Although the State currently utilizes inter-departmental mail couriers between its Annapolis and Baltimore hubs, MDE is not located near these hubs and must go to the hubs to obtain our mail. MDE will perform a cost analysis to determine if the use of private mail and courier services will be more cost effective and still provide the responsiveness needed.
2. Accounting/Budgeting: The accounting/budgetary function should be evaluated for privatization feasibility on a statewide basis since the State has set reporting and accounting requirements for all Departments that must be adhered to for control at the State level. The State recently entered into a significant multi-year contract to

modify current accounting, budget, and personnel reporting systems and to develop new systems that connect all Departments; i.e., the Financial Management Information System (FMIS). Therefore, privatization is not a reasonable direction to take at this time.

3. Health Benefits Administration: Further analysis of MDE functions indicates we would not want to privatize in this area. This function requires close attention, flexibility, and quick solutions to individual concerns. Privatization would result in decreased responsiveness to employee needs on a personal level which would be detrimental to employee morale.
4. Data Entry, Project Programming, Design/Analysis: MDE currently performs analyses of internal staffing availability and capability as data entry, project programming, design, and analysis projects arise to determine if the projects should be performed by a private concern. We will continue to do this on a project-by-project basis.

B. Water Quality Financing

1. Arbitrage Rebate Calculation: The Water Quality Financing Administration currently performs its own arbitrage rebate calculation. Proposals from the private sector are due on January 14, 1993 in response to a Request for Proposals (RFP) issued by the Treasurer's Office. If this service can be performed privately in a cost-effective manner based on the Treasury recommendation, a contract will be entered into.

C. Air and Radiation Management Administration (previously Toxics, Environmental Science and Health)

1. Dental/Veterinary X-Ray Machine Inspection: These inspections could be done using trained private inspectors. However, legislation will be necessary to privatize this function because inspection of dental and veterinary x-ray machines was specifically excluded from previous legislation passed in 1984 giving us authority to hire private contractors.
2. Collection of Samples, Radon Testing: MDE will begin identifying the minimum requirements, experience necessary, and other critical information in order to determine if the private sector can meet the needs of the State in a cost-effective manner and not jeopardize the safety of its citizens.

D. Water Management Administration

1. Additional Engineering Assistance: Engineering assistance in the Water Management Administration is related to the capital bond program. Due to numerous cost containments, funding for this function in the operating budget is very limited. Although bond funds cannot be used to support agency personnel and operating costs, they could be used to pay a private engineering firm to perform a portion of the engineering assistance work. MDE has already utilized the private sector in some cases. We will continue to analyze our in-house capabilities and staffing availabilities to determine if work should be done by an outside concern on a case by case basis.
2. Laboratory Analysis, Data Processing: Additional laboratory support is needed for both the water supply and wastewater regulatory functions within WMA. MDE is currently analyzing the DHMH lab administration to determine whether it can provide an adequate level of dedicated support to analyze the increasing levels and number of toxics required to be monitored in both drinking water and wastewater. MDE will extend this analysis to the private sector as well.
3. Technical Training/On-site Assistance: These functions are already largely privatized through an arrangement between MDE and the Maryland Center for Environmental Training at Charles County Community College. MCET's services are targeted to water and wastewater facilities owned/operated primarily by Maryland's small to medium-sized communities. It is an excellent example of low-cost contracting for services because the Center has a small full-time staff and keeps its overhead to a minimum. MDE will analyze other needs for environmental training/technical assistance to determine if it makes sense to privatize.
4. Occupational Licensing/Certification: The Sanitarians, Well Drillers, and Waterworks and Waste System Operator boards are responsible for certifying or licensing individuals within the respective occupations. There may be functions, such as testing, that are performed by each Board that could be privatized. MDE will conduct further analyses to determine if this makes sense and is cost effective.

E. Waste Management Administration (previously Hazardous and Solid Waste Management Administration)

1. Sampling, Data Entry of Manifests: Sampling is conducted by CERCLA/UST/LUST Enforcement and Emergency Response to determine the presence of widespread pollution in ground and

surface waters. MDE will begin to define minimum requirements, necessary experience, and other critical information to determine if the private sector can meet State needs in a cost-effective manner.

Data supplied on manifests that gives pertinent information on the transportation of hazardous waste must be entered into a database. MDE has already contracted with a private firm for some of this work. MDE will pursue broadening the scope of this privatization.

2. Testing and Training: Certain duties related to permitting, certification, and licensing could be privatized as long as MDE keeps the ultimate responsibility for these regulatory functions. Some training courses are already privatized. Review of applications and testing could also be privatized. MDE will begin to define minimum requirements, experience necessary, and other critical information to determine if the private sector can meet State needs in a cost-effective manner.

F. Air and Radiation Management Administration (previously Air Management Administration)

1. Ambient Air Monitoring: Repair of technical equipment and filter replacement of manual equipment used in the ambient air monitoring program could be performed by private contractors. MDE will begin to define minimum requirements, necessary experience, and other critical information to determine if the private sector can meet State needs in a cost-effective manner.
2. Vehicle Emissions Inspection Program Audits: Setting of emission standards, test procedure development and promulgation must be performed by the Department because they are regulatory in nature. However, audits of exhaust emission analyzers operated by inspection stations and other inspection and repair facilities and some of the administrative duties of certifying emission mechanics could be privatized. MDE will begin to define the minimum requirements, necessary experience, and other critical information to determine if the private sector can meet State needs in a cost-effective manner.

IV. Functions Not Privatized

As reported by the Task Force, the Department believes that the oversight responsibilities of the executive, financial, and administrative functions should not be privatized. MDE also strongly believes that it cannot privatize its regulatory functions. The performance of these tasks by the State is essential to assure compliance with legislative and regulated mandates.

V. Recommendation

MDE agrees with the Task Force recommendations and has more fully described our commitment and specific responses to the identification of potential candidates for privatization in Section III. We will continue to review the services we provide for the most cost effective and efficient means of delivery.

MDE wishes to thank the Task Force for its cooperation and assistance in this effort.

Maryland Department of General Services

Response to the Maryland Task Force on Privatization Report (pages 23-27)

I. Overview

The Department of General Services (DGS) supports the Task Force and finds the report to be a positive result of Bill Hellmann's able leadership. The report accurately reflects much of DGS's augmentation of in-house operations with private contract support through our operating budget. DGS will continue to utilize private sector resources when and where it is to the benefit of our department and the State. The report accurately cited the \$31,153,379 of DGS operating budget that went directly to the private sector for services rendered. In addition, DGS administers \$921,173,000 of Statewide Capital and Annual Funds.

II. Existing Privatization

As the task force reported, most of DGS' role is to ensure that the State's resources are properly expended in the private economy through private contract activities in return for goods and services. These existing privatization efforts are listed in general categories as follows:

Function	Private Sector Responsibility	Contract Expenditures (000's)
Buildings & Grounds	Preventive maintenance & repair services.	\$ 1,782
	Security guards.	\$ 1,184
	Custodial & janitorial.	\$ 1,818
Engineering & Construction	Design, architectural, structural, mechanical, electrical & other services; master site planning, construction, materials testing & specialized inspection services.	\$625,118

Services & Logistics	Supply commodities, equipment, other material required by State Government; printing services; fuel dispensing system; special equipment, leases & maintenance services.	\$185,530
Telecommunications	Leased Statewide digital backbone network; Centrex services; MD Relay Service; long-distance & 800# service; pager & cellular phone service; voice & data communications equipment; maintenance services.	\$ 32,458
Real Estate	Title work, settlements, title insurance; appraisal services; property management, maintenance & housekeeping services for leased property.	\$ 72,773
Administrative	EDP contracts & maintenance services; expert witness fund; special delivery services; fleet maintenance & service; advertising.	\$ 510
TOTAL		\$921,173

III. Potential for Privatization

DGS is pursuing 2 new privatization initiatives.

- **Couriers**

DGS is developing an implementation plan to consolidate existing courier operations under DGS. For one year, DGS would monitor and evaluate the operation and then request proposals from private courier services to compare the benefits of public/private provision of service.

- **Radio Repair**

DGS is preparing an assessment of cost benefits for a State-wide radio maintenance contract to provide agency radio users access to an open private contract. At the present time, each radio-using agency is responsible for maintenance of its own radio systems, and this present course may not be the most cost effective.

IV. Functions Not Privatized

The Task Force report accurately details the duties and responsibilities of functions that should not be recommended for privatization at this time. DGS is continually reviewing its organization in efforts to streamline its operations.

V. Recommendation

DGS will continue to pursue the assessment of a State-wide radio maintenance contract, and the development of its implementation plan to consolidate courier services. An RFP for courier services could be developed during this planning period for bidding by both the private/public sectors at time of conversion.

In addition, DGS will:

- assess and compare the cost of transferring the management of State-owned facilities to the private sector;
- assess the transfer of the Maryland State Agency for surplus property to the private sector via a revenue lease or contract; and
- assess the transfer of all engineering/construction-related activities to the private sector with the exception of contract management and oversight.

Maryland Department of Health and Mental Hygiene Response to the Maryland Task Force on Privatization Report (pages 28-34)

I. Overview

The overall service goal of the Department of Health and Mental Hygiene (DHMH) is consistent with the Task Force's policy on privatization as detailed in their December, 1992 recommendations. The primary mission of the Department, to protect the health of Maryland citizens, currently functions as a public-private partnership. DHMH has developed many services in conjunction with the private health care sector. In some instances, we have used existing private systems, such as Medicaid payments to private providers. In other cases we have worked with the private sector to develop a system of care such as in the Developmental Disabilities Administration. As we shift from an institution-based, State-operated system to a community-based system, good public health policy and privatization are mutually compatible goals, especially in the areas of mental health and developmental disabilities.

II. Existing Privatization

Efforts by the Department of Health and Mental Hygiene to use private sector resources are documented in the Task Force Report. The large number of services with partnerships in the private sector is an excellent foundation on which to build.

III. Potential for Privatization

Progress and consideration of items recommended by the Task Force continues:

- **Closing/Privatizing State-Operated Facilities**

Privatizing of Deer's Head and Western Maryland Centers has been recommended by both the Task Force and the Governor's Commission on Efficiency and Economy. As a result, the Department did a thorough review of the feasibility of privatization. This report has been submitted to the Governor and to the Commission. Enabling legislation has been

drafted and submitted to the Executive Office for review and approval for possible submission during the 1993 session.

Opposition to privatization may come from legislative delegations, patient's family members, and employee groups. If this project proceeds, assurances of continued quality of care and minimal disruption to patients and proactive efforts to assist employees in the transition should assist in reducing opposition.

- **Certain Mental Health and Local and Family Health Services**

- **In-patient mental health services for children and adolescents:**

By February 1, 1993, the Mental Hygiene Administration (MHA) will consolidate the adolescent inpatient services at Springfield Hospital Center with services at Crownsville Hospital Center. MHA will then study the potential for privatizing the inpatient services for children (12 and under) currently located at the Walter P. Carter Center (WPCC) which serves the entire State. The primary strategy for consideration is to close the unit and use the savings to expand community services and to purchase beds from the private sector at several locations throughout the State.

There could be opposition from some child advocacy groups (as well as support from others). If the decision is to move ahead, there will have to be early meetings with child advocacy groups to explain the strategy and seek their support.

- **State and County-Operated Community Mental Health Clinics:**

One State and two county-level initiatives are being implemented. Effective January 4, 1993, the four outpatient clinics operated by the State at the WPCC were transferred to the University of Maryland for operation. The Washington County Mental Health Authority has completed plans for and begun implementation of privatization of the county-operated mental health clinic. A new private, nonprofit corporation is expected to be operating the clinic services by March 3, 1993. The St. Mary's County Health Department has decided to privatize their mental health clinic. A new private, non-profit corporation is expected to be operating the clinic services by February, 1993. Other counties are considering the potential for privatizing their clinics.

- State-Operated Community-Based Mental Health Facilities:

Two initiatives are being considered in this area. A study group is considering privatization of the inpatient services located at the WPCC on Fayette Street (Baltimore City). This initiative along with the child/inpatient services and the outpatient clinics would complete the privatization of the State-operated WPCC facility on Fayette Street. The Department (DHMH) will also consider the potential for privatizing the State operated Upper Shore Community Mental Health Center in Chestertown, Maryland. An aspect to consider is whether legislative authority is required to transfer these facilities to the private sector. There could be some political opposition generated by employees and other interest groups. Extensive community involvement would have to be part of any privatization plans.

- State-Wide Maternity Care:

The Department of Health and Mental Hygiene sees as a critical need the assurance of maternity care to the 12,000 pregnant women, primarily indigent, who are serviced by the public sector. In many cases, this service is the provider of last resort.

Currently, the provision of services ranges a wide spectrum from a totally private system as in Washington County to an almost public system of care as in Frederick or Wicomico Counties. There is an inadequate number of OB/GYN providers who will service poor women and distribution of these providers is not uniform across the State. For example, Dorchester County has only one OB/GYN physician who sees all public and private patients.

The DHMH and the Local Health Departments will continue to explore the development of maternity services with an emphasis on the private sector.

- Statewide Soil Percolation Program:

Soil evaluation is a program delegated to Local Health Departments by the Secretary of the Department of the Environment who holds the legal responsibility for standards and methods of operation.

Privatization as a method of operation is both permissible and legal at this time. The local health officer, still needs to approve the test and test results to fulfill the delegated responsibility of ensuring a satisfactory soil evaluation.

Any future change in this program should necessarily come from the Department of the Environment. The viability of privatizing services must be determined in accordance with demands for service at the local level.

IV. Functions Not Privatized

This section provides an accurate overview of public sector functions within the Department of Health and Mental Hygiene. While no immediate changes are anticipated, the Secretary of DHMH has not only indicated his support for consideration of private providers for new services, but also a desire to examine the way in which existing functions are carried out.

V. Recommendations

As stated in Section III, implementation or consideration of certain recommendations is in process.

In addition, the DHMH is continuing to examine possible expansion of contract services and consolidation/disposition of underutilized property.

- **Consolidation/Disposition of Underutilized Property**

Consolidation of certain aspects of the Great Oaks and Rosewood Centers, under the Developmental Disabilities Administration, have occurred; a consolidation of administrative functions is being implemented. In addition, an expansion of contracted support services is underway. There is no current plan to relocate clients to one campus of the combined facility. While a continued downsizing effort is in place for both facilities, there is no current plan for closure. Reactions from various groups could be expected if clients were transferred between facilities, as support services are privatized, if State jobs are lost, or if an institution would close. While thought has been given to each area, in general dealing with these issues would need to be through up-front communications, assurances of the State's commitment to quality services, and efforts to assist in minimizing the disruptions to clients or staff.

A new privatization initiative is:

- Privatization of DHMH Mainframe Computer Services

The net cost for DHMH use of State Data Center facilities over the last 12 months totals approximately \$2,105,000. The Department feels that a line item cost of this magnitude warrants consideration for privatization.

Although the Annapolis Data Center costs for DHMH operations may compare very favorably to those incurred through outsourcing, no empirical evidence is available in this regard. In addition to the relative dollar cost of privatization, consideration must be given to quality of service, availability and accessibility, control, accountability and liability issues.

The next step in determining the feasibility of outsourcing would be to survey the private sector for available and affordable computer service bureau firms. At the same time, research would be conducted on the impact of DHMH privatization on overall State expenditures for computer services.

Maryland Department of Natural Resources Response to the Maryland Task Force on Privatization Report (pages 35-40)

I. Overview

The Department of Natural Resources (DNR) concurs with the report of the Governor's Task Force on Privatization in regard to the overview of our functions and responsibilities. Given the complexity of the privatization issue and the varied programs and services of State government, the Task Force should be commended for their thoughtful recommendations. The Chairman, task force members and staff were very cooperative in their deliberations to identify and develop DNR privatization opportunities.

II. Existing Privatization

The DNR appreciates the recognition by the Task Force of our past history of working in cooperation with the private sector to include a full spectrum of contracts for services, numerous lease/revenue contracts and many partnership agreements.

III. Potential for Privatization

The Task Force Report has endorsed three (3) privatization initiatives under consideration by the Department.

1. **Somers Cove Marina** - As indicated in the report, DNR is developing a request for proposals (RFP) to solicit responses from qualified private entities to operate the marina on terms acceptable to DNR and the local community. We recently met with representatives of local businesses and government (Chamber of Commerce, Crisfield City officials, Somerset County Commissions, Marina Yacht Club, etc.) to discuss local community involvement and concerns about privatization of the marina. Generally, the local communities have been favorable to the past operation of the marina by DNR. They have noted significant development of the facilities; a well managed and maintained operation; and, a self-supporting activity which generates a small annual surplus. The local representatives voiced

serious concerns regarding privatization of Somers Cove including availability of the facility for local functions such as the Crab Derby and Clam Bake, affect on tourism, competition with existing businesses through development, slip fee rates, continued maintenance of the facility and the continued use of the Tawes Museum building.

The next step for DNR is to complete the development of the request for proposal in cooperation with local government and business representatives. The proposal will be available by the end of February, and a private entity could assume management of the marina in July, 1993. However, DNR wishes to emphasize that we will not endorse any privatization proposals that are not responsive to the interests of the Department or the Greater Crisfield area.

2. **Maryland Environmental Service (MES)** - The Task Force also endorsed a proposal to establish MES as a separate quasi-public authority. DNR is presently developing legislation for the Governor's review and approval for submission during the 1993 legislative session. We will actively pursue the creation of MES as a separate entity through the legislative process. A related matter to this initiative is the feasibility of merging the Northeast Waste Disposal Authority with MES. The Northeast Waste Disposal Authority is a mini MES consisting of Baltimore City, Baltimore County, Anne Arundel, Harford, Montgomery and MES. It was created about 1980 from a project team within MES to address waste disposal issues in the Greater Baltimore Metropolitan Area. The merger of this organization with MES can be accomplished by a majority vote of the Authority. DNR will assess the recommendation for merger and pursue the proposal with Authority members.
3. **Revolving Acquisition Program** - This initiative would provide DNR with the opportunity during the purchase of large tracts of land to dispose of certain parcels not required for management and/or protection. This practice is commonly used by national and local conservation groups. DNR concurs with this recommendation and is preparing legislation for review and approval by the Governor for introduction during the 1993 legislative session.

IV. **Functions Not Privatized**

The Department concurs with the Task Force identification of activities and functions which are not appropriate for privatization.

V. Recommendation

As indicated in the Task Force report, the DNR represents a significant economic benefit to the State through tourism; management of forests for timber and recreational opportunities; and, hunting, recreational and commercial fishing and passive wildlife activities.

The Task Force report supports the three (3) privatization opportunities which the Department has under review. They are discussed in Section III, "Potential for Privatization," of this response. The Task Force has also recommended that DNR:

- **Continue to aggressively pursue the leasing, sale, exchange and development of under-utilized property.**

With certain qualifications, DNR concurs with the Task Force recommendation to pursue opportunities on Public Lands. For 20 years, Program Open Space has acquired, preserved and developed lands for public use by current and future generations. The lands acquired by POS are held in the public estate and may offer selective opportunities for privatization.

Leasing of Recreational Facilities - Where appropriate, we will continue to lease recreational facilities to qualified private entities. Our next steps will be to seek Board of Public Works approval for two (2) leases: Greenwell State Park in St. Mary's County to a private foundation with emphasis on programming for individuals with disabilities; and, Tuckahoe State Park in Queen Anne's and Caroline counties for a non-profit organization to operate the Atkins Arboretum and other buildings.

Sale - DNR does not generally have surplus land. From time to time, we may identify an excess parcel which will be surplus and offered for public sale.

Exchange - Exchange of land is a current tool used to acquire lands for recreation and/or preservation. Our next steps will focus on possible land exchanges along the Youghiogheny River Corridor and the Appalachian Trail in Western Maryland. **Development** - DNR is very much in agreement with the recommendation to continue our efforts for development of facilities on State land in partnership with the private sector. Our next steps include an RFP in February, 1993, to solicit proposals from the private sector for development of cabins at Elk Neck State Park in Cecil County. We hope that this solicitation, if successful, will serve as a prototype for construction and management of cabins in other areas of the State.

Additionally, we will prepare an inventory of other opportunities for appropriate facility development on DNR lands.

- **Expand the use of contracts for services.**

Consistent with our past efforts and the criteria recommended in the Task Force report, we will continue to look for opportunities to utilize the private sector to provide services.

- **Continue to assess recreational facilities for the purpose of contracting or leasing to the private sector for day-to-day operation.**

DNR will continue to explore creative management arrangements for certain new lands we acquire. The emphasis will be to secure commitments from entities external to DNR to manage new lands which are not within or contiguous to existing facilities.

- **Assess the feasibility for the private operation of the wood fired steam electrical generating plant at the Eastern Correctional Institute in Somerset County.**

As recommended by the Task Force, DNR in cooperation with MES will complete an assessment of the feasibility of contracting back to the private sector the operation of the generating plant at ECI in Somerset County. The feasibility report will be completed by February 1, 1993.

Maryland Department of Public Safety & Correctional Services Response to the Maryland Task Force on Privatization Report (pages 41-45)

I. Overview

The Department of Public Safety and Correctional Services (DPSCS) supports the findings of the Maryland Task Force on Privatization. Their report accurately portrays the duties and responsibilities of the Department.

II. Existing Privatization

The DPSCS has directed over \$60,000,000 to the private sector for services such as medical contracts, food services, consultants, etc. as written in the Task Force report. The DPSCS continues to look to the private sector for effective, efficient ways of providing services.

III. Potential for Privatization

The DPSCS had recommended the following five candidates for privatization reviews, and after further discussion, intends to proceed with the following actions:

- Quality Assurance/Hospital Utilization Review - Quality Assurance entails the review of the quality of medical care; Hospital Utilization Review entails the auditing, monitoring, and verification of hospital billings. Both of these are scheduled for privatization implementation in FY 1994.
- CJIS Central Repository - The criminal record-checking unit of the CJIS Central Repository requires strict security measures. The Department is not recommending privatization of this unit at this time. An assessment, based on the recommended policy and methodology, will be conducted.
- Transportation of Inmates - The DPSCS introduced legislation during the 1992 session of the General Assembly to privatize this activity. The legislation was defeated due to strong opposition from both unions and employees involved in the transportation function. DPSCS has subsequently reviewed a nationwide survey which suggests that due to liability and work

performance problems, the privatization of transportation of inmates is being re-considered by other departments. The DPSCS does not intend to pursue this further.

- Psychological and Additional Therapy - The DPSCS is currently outsourcing some of these services and intends to expand this usage in FY 1994.
- Audit and Standards Compliance - The Division of Audits and Compliance (DOAC) should be controlled by DPSCS. The Department believes that direct control over the audit process is essential. The Maryland Commission on Correctional Standards (MCCS) implemented a new initiative in FY 1993 consisting of volunteer, Duly authorized inspectors from various State and local correction agencies. These individuals volunteer their services at no cost to the State representing a significant cost savings, thereby negating privatization.

IV. Functions Not Privatized

The Task Force report accurately portrays the positions that should not be privatized. The Department will continue to assess ways to join in partnership with the private sector.

V. Recommendations

The Department's position on the five privatization opportunities that the Task Force delineated:

- Quality Assurance/Hospital Utilization Review
- CJIS Central Repository
- Transportation of Inmates
- Psychological and Additional Therapy
- Audit and Standards Compliance

was discussed in Section III, "Potential for Privatization." The balance of the Task Force recommendations will be assessed as follows:

Food Services - The Department is conducting a thorough assessment of expanding its use of contracts for department-wide inmate food services. Preliminary data show that it would be to the long term financial advantage to the state, but cost more in the short term. In addition, there is resistance from labor (unions), employees and management. The Department believes that the privatization of food services should still be assessed with

the overall quality and effective delivery of service of primary importance in the final determination.

Lease/Sale Underutilized Property - The Department will continue to identify those properties that are underutilized and work with the other state agencies for higher maximization of its assets.

Correction's Education Programs for Inmates - The DPSCS's endorses this recommendation and will work with the Maryland Department of Education to conduct an assessment.

Operations of Pre-Release and Minimum Security Prisons - The DPSCS will carefully assess this recommendation. Few prisons are operated by private contractors and those that are have not provided sufficient empirical evidence on either financial or security issues to convince the DPSCS that this proposal is wise. However, a thorough assessment will be conducted, using the Task Force's recommended methodology, and good faith effort will be made to involve the private sector in the delivery of this service.

**Maryland Department of Transportation,
Maryland Aviation Administration
Response to the Maryland Task Force
on Privatization Report
(pages 46-51)**

I. Overview

The work of the Governor's Commission on Privatization is commendable. The report is well organized, concise and straightforward. The recommendations are carefully crafted and reflect a pragmatic, real world approach to using privatization to improve the productivity and cost efficiency of state government.

The overview accurately reflects, in capsulized form, the current status of BWI and Martin State Airport.

II. Existing Privatization

The Maryland Aviation Administration has and continues to heavily use the private sector to operate the airports. This section accurately reflects the extent that private contractors are already involved in the day to day operations of the airports. As the report points out, almost 50% of the MAA's operating budget and over 90% of its capital budget goes directly to the private sector.

III. Potential for Privatization

Beyond the question of contracting out the overall management of the airports, the four areas described in this section; Fire Rescue Service (BWI), Terminal Transportation Services (BWI), Maintenance (BWI/MTN), and Marketing Activities, which are further detailed and discussed in Section V, accurately reflect the short term potentials for additional privatization.

IV. Functions not Privatized

This Task Force report section accurately depicts five primary functions not privatized and not recommended for consideration for privatization: Executive, Counsel and Regional Aviation Assistance; Airport Operations; Business Administration; Marketing and Development and Planning and Engineering. Primarily, these are key policy and administrative areas that provide policy direction, quality assurance in service delivery, and safety and security.

V. Recommendation

The Task Force recommends:

"MAA undertake a detailed analysis of the following privatization opportunities:

- Fire Rescue Service (BWI)
- Terminal Transportation Services (BWI)
- Maintenance (BWI/Martin State Airport)
- Marketing Activities"

MDOT concurs with these recommendations and the Secretary has directed the MAA to immediately commence the recommended assessment and submit a preliminary report within 60 days.

The recommendation concerning "Terminal/Transportation Services (BWI)", raises some concern about contract oversight and quality control. The issue is one of a private contractor watching other private contractors. Even with strong performance standards, incentives and penalties built into a contract, who determines whether the performance is acceptable? This issue will be clarified during the assessment.

Under the category called "Marketing Activities," the MAA conducts two primary but very different marketing operations. First, is air service marketing and development oriented toward attracting new or expanding existing air service to BWI. This is primarily an ongoing analysis of various air carrier service patterns and BWI's service needs; the preparation of specific proposals to airlines; and negotiation of agreements. The analysis is primarily the responsibility of a private, competitively chosen consultant with the preparation of proposals and negotiations split between MAA staff and the consultant. The Secretary is satisfied that this arrangement works well.

Second, is the other marketing activity: marketing and advertising to the flying public. The MAA contracts with a private advertising firm to develop and conduct advertising and business development campaigns. Clearly, these efforts have not achieved the results desired in terms of differentiating BWI from National and Dulles, in an extremely competitive marketplace. Improvement is needed.

Some uncertainty exists, however, as to whether additional privatization is the answer. Many factors, including a lack of financial resources to carry out a sustained effort, a rapidly changing marketplace, a volatile economy and industry, contribute to the current problems.

In addition to the recommendations of the Task Force, the Secretary's Office will become involved in assessing the criteria, strategy and target markets of the current

efforts. Additionally, an assessment will be made as to whether a greater link should be established between the public marketing and the air service development marketing.

Also, the Task Force recommended that:

- "- A formal analysis be prepared regarding expansion of the Maryland Transportation Authority to a Consolidated Enterprise Authority to include the Maryland Aviation Administration and the Maryland Port Administration; and,
- MDOT, MAA, and DEED work with Westinghouse to develop a program to showcase Westinghouse technology at BWI."

MDOT concurs with these recommendations.

The Secretary has directed that an analysis of the steps necessary to form and operate a Consolidated Enterprise Authority is being prepared including all possible implementation options and an assessment and determination if legislation is necessary. This work is underway and will be complete within 30 days.

The Secretary has directed that a program to showcase Westinghouse technology at the Airport be developed immediately. This effort will also be coordinated with the Governor's Legislative Office which prepared an analysis of the state's options for undertaking such a program without violating Maryland's procurement laws and regulations. Additionally, opportunities to develop showcase opportunities for other Maryland companies will be assessed.

**Maryland Department of Transportation,
Maryland Port Administration
Response to the Maryland Task Force
on Privatization Report
(pages 52 - 56)**

I. Overview

The overview accurately reflects, in capsulized form, the current status of the Maryland Port Administration. As with the Maryland Aviation Administration, it accurately points out that the Port is already heavily dependent on the private sector for services, with 34% of its operating budget and almost three quarters of its capital budget going directly to the private sector.

II. Existing Privatization

The Maryland Port Administration heavily uses the private sector to operate the port facilities and services. This section accurately reflects the extent that private contractors already are involved in the day-to-day operations of the port. It is the philosophy of the Port to utilize the private sector whenever possible to provide services to the Port.

III. Potential for Privatization

The three items listed in this section: Disposal of the Port of Cambridge, Marketing, and Information Systems, are consistent with and accurately reflect the current opportunities for additional privatization in the Port.

IV. Functions Not Privatized

The Task Force report accurately depicts the primary functions not privatized and not recommended for consideration for privatization: Executive, Counsel and Regional Aviation Assistance; airport Operations; Business Administration; Marketing and Development and Planning and Engineering. Primarily, these are key policy and administrative areas that provide policy direction, quality assurance in service delivery, and safety and security.

V. Recommendations

"The Task Force recommends that the MPA should continue to:

- contract out more of the marketing and advertising services;
- aggressively pursue disposal of the Port of Cambridge property, including consideration of a total transfer of the asset;
- expand its use of private contractors for information systems."

MDOT concurs with these recommendations and the Secretary has directed the MPA to conduct the recommended assessments and submit a preliminary report within 60 days.

The MPA is actively analyzing the potential for using private contractors in its European operations similar to those used for its Far East marketing and will have a proposed course of action within 60 days.

The MPA, in cooperation with DEED, is actively working on a plan for disposal and/or reuse of the Port of Cambridge. A quasi public task force has developed a reuse plan and is currently developing a consensus approach with local, county and state leadership. MPA supports this effort and will continue to cooperate in any way possible.

The MPA will assess the use of private contractors for information systems and services. This assessment will be complete within 60 days.

Additionally, the Task Force recommended that the MPA:

- "- aggressively pursue disposal/higher utilization of other properties where consolidation, private-public partnerships could be viable;
- assess and compare the cost of transferring the operations of the World Trade Center to the private sector; and
- seriously consider merging with the Maryland Transportation Authority and the Maryland Aviation Administration into a Consolidated Enterprise Authority."

The first two of these additional recommendations are similar and will be pursued aggressively as the MPA continues to seek better utilization of its real estate assets. The Secretary has directed MPA to complete an assessment of transferring operations of the World Trade Center to the private sector. A preliminary report is due within 60 days.

Regarding the Consolidated Enterprise Authority, an analysis of the steps necessary to form and operate a Consolidated Enterprise Authority is being prepared including all possible implementation options and an assessment and determination if legislation is needed. This work is underway and will be complete within 30 days.

Maryland Higher Education Commission Response to the Maryland Task Force on Privatization Report (pages 57 - 60)

I. Overview

The Task Force accurately reflected the structure and function of the Maryland Higher Education Commission. The Task Force clearly understood the Commission's role as the State's coordinating body for higher education, including its assumption of the duties of the former State Board for Community Colleges. It also recognized the Commission's responsibilities in regard to the administration of the State's financial aid programs and the regulation of private career schools.

II. Existing Privatization

The Task Force correctly describes the Commission's use of the private sector to help it accomplish its mission in the most efficient and effective manner possible. The Commission is especially proud of the significant savings it realized by bringing in-house the administration of the State's financial aid program. The State Scholarship Administration had contracted this responsibility to a private company. By buying the hardware and software for the financial aid program, and sharing responsibility for maintaining and enhancing the program with another private vendor, the Commission has achieved annual savings approaching \$500,000 annually.

The Commission also uses the private sector to bring in needed expertise not found within the Commission. These experts include judges for the Distinguished Scholarship Program, Nina Temple Designs for brochures for the new Guaranteed Access Grant program, and Marketing Management to help the Coppin-Morgan Task Force.

Finally, the Commission continues to support the various higher education segments to explore ways to incorporate the private sector in their delivery of services. The Commission especially supports St. Mary's College as it explores the continued possibilities for greater efficiency and effectiveness resulting from its new status as a State-related institution.

III. Potential for Privatization

The Commission is continuing its negotiations with the Department of General Services to delegate to it the Commission's responsibilities for construction

oversight in the Community College Capital Construction Program. The Commission currently does not have the expertise to perform this function. Instead, it will retain its responsibility and authority to set priorities for capital spending. Further, it continues to encourage public higher education institutions to incorporate the private sector in their management.

IV. Functions Not Privatized

Because of its responsibilities for formulating and implementing the State's policies on higher education, the Commission believes that strict privatization, where a private entity has total control over and responsibility for the completion of particular tasks, is inappropriate. The Task Force correctly identified the specific tasks performed by the Commission, which clearly require State control and input.

V. Recommendation

The Commission appreciates the Task Force's recognition of its unique role in higher education. Unlike governing boards, the Commission does not have the authority to require institutions to adopt privatization policies. However, as the Task Force recommends, the Commission will continue to actively encourage the governing boards of the public institutions to consider privatization as a strategy for effectively and efficiently delivering academic services.

At this point, the Commission is not ready to accept the Task Force's recommendation that the Commission consider delegating its responsibilities for construction oversight to the private sector. Negotiations with the Department of General Services are almost complete, and beginning the process of having the private sector work on the project will unnecessarily delay the transition of these duties from the Commission. DGS has the required expertise and staff to perform this function. Consequently, the Commission will evaluate how DGS provides these services, and, if it appears that a private entity could provide these services more efficiently, will consider at that time contracting with a private entity.

Maryland Department of Economic and Employment Development

I. Overview

The Maryland Department of Economic and Employment Development (DEED) was not part of the original report prepared by the Maryland Task Force on Privatization. DEED has been proactive in using the private sector to advance its mission. After review and discussion of the Task Force recommendations, DEED wished to explore the outsourcing of its central data processing and automation development functions, as a new privatization initiative, using the methodology guidelines proffered by the task force.

The Maryland Department of Economic and Employment Development contributes to the economic welfare of the state by recruiting new businesses; marketing the state for foreign investment and the development of international trade; promoting tourism, film-making and the arts; providing services to help existing Maryland businesses succeed and expand; offering financing assistance to businesses and to local jurisdictions for economic development; and providing employment and training support to Maryland citizens in work transitions.

FY 93 Operating Appropriation	\$154,889,586
FY 93 Capital Budget	\$22,777,468
Percentage to Private Sources	51.32%

II. Existing Privatization Efforts

More than 50% of the department's budget is expended on contract and private activities. As such the department is a pass-through vehicle to direct public resources into private hands to influence economic and business activity. As the agency of state government charged with marketing the state to business, half of the marketing budget is spent with private contractors for promotion and advertising. More than 60% of the Tourism budget is spent in the private sector. Nearly 85% of the Arts budget is contracted. Only 12% of the Division of Financing Programs budget remains within state government. The department's employment and training programs spend 80 cents of every dollar on contracts.

The Department has pursued a number of new privatization initiatives including:

1. Maryland Magazine privatization
2. Proposal to privatize tourism promotion
3. Contract for re-engineering of the Unemployment Insurance data system
4. Business resource networks created through contracts
5. Promotions and advertising contracts

III. Potential for Privatization

The potential for outsourcing certain components of DEED's data processing services appears to be promising. The Unemployment Insurance program alone spends approximately \$1.5 million annually in Annapolis Data Center processing cost, and another 3/4 of a million in in-house systems development, not to mention systems development services that are already contracted out.

In today's competitive environment, many companies are looking closely at their operations and asking themselves, "What is it that we do best and which is essential to our business, and what could somebody else do better for us at the same or a lesser cost?" As a result, outsourcing of information systems operations is occurring more frequently and there are even examples of this in the public sector. DEED has come up against this same kind of questioning as it is forced to consider re-engineering of old systems and the application of changing technologies to new ways of doing business.

The difficulties DEED has encountered where outsourcing might provide a viable alternative, include the following: (1) Access to newer technologies and expertise required to design or redesign ways of doing things; (2) Better control and priority for just-in-time processing requirements; (3) Security issues which limit the public access that is necessary to increase self-service alternatives for system users in both the private and public sector; (4) Capacity and time limitations related to installing and testing a variety of mainframe software packages; (5) Complicated and long lead times for procurement; and (6) the potential for faster and alternative cost savings approaches.

DEED and the State ought to explore and consider outsourcing information technology services or components of services where there are opportunities for access to greater expertise and new technologies, increased responsiveness to the need for change in the delivery of service, and cost savings associated with capital outlays or operating efficiencies.

DEED intends to begin this assessment process.

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